



FOR IMMEDIATE RELEASE

## **FRALEX ANNOUNCES FIRST QUARTER 2009 RESULTS**

**TORONTO, Ontario** – May 7, 2009 – Fralex Therapeutics Inc. (TSXV: FXI.H) (“Fralex” or the “Company”), a medical technology company, announced today its financial results for the first quarter ended March 31, 2009.

### **Operating highlights for first quarter of 2009**

- Company entered into an arrangement agreement and certain other agreements providing for:
  - the transfer of all non-core assets, including all cash and all liabilities to Fralex’s wholly-owned subsidiary 2201761 Ontario Inc., or “Newco”;
  - the exchange by Fralex shareholders of their Fralex common shares for common shares of Newco (and nominal cash consideration);
  - the sale by Newco of Fralex, including the core CNP assets of Fralex, to Baylis Medical Company Inc., a privately-owned developer and supplier of medical devices for net proceeds of approximately \$650,000 (gross proceeds of \$900,000 less estimated transaction costs of \$250,000); and
  - closing in early June after applicable court and shareholder approvals have been received.
- Full-time staff reduced to three.
- Warrants expired unexercised on February 13, 2009.
- All outstanding stock options were cancelled with the approval of the optionees.
- Fralex had \$2,048,625 in cash and short-term investments, and working capital of \$2,152,315, as at March 31, 2009.

### **Events subsequent to quarter end**

- Company was accepted for a listing on the NEX board of the TSX Venture Exchange.
- Information circular relating to the arrangement transaction was mailed to shareholders on April 30, 2009.

“In 2009, our Management team has focused on efficiently closing out the RELIEF trial and negotiating the sale of Fralex and its core assets to Baylis”, said Avi Grewal, President and CEO of Fralex. “The sale to Baylis is a key step in

monetizing the value of the Fralex assets and maximizing the capital base for all activities going forward. I would encourage all shareholders to support this transaction via proxy or in person at the shareholders meeting.”

The board of directors of Fralex has unanimously approved the transaction and shareholders holding approximately 69% of the common shares have signed support agreements indicating their intention to vote in favour of this transaction. A special meeting of the shareholders will take place at the offices of Lang Michener LLP, Suite 2500, Brookfield Place, 181 Bay Street, Toronto, Ontario on May 26, 2009 at 10:00 a.m. to formally vote on the arrangement transaction.

### **Financial review**

For the three months ended March 31, 2009, the Company reported a decrease in consolidated loss of \$1,264,956 to \$485,224 (or \$0.02 loss per share) as compared with the same period in 2008 of \$1,750,180 (or \$0.08 loss per share). This was primarily due a decline in research and development costs from the termination of the RELIEF trial.

Management believes that the Company’s cash and short-term investments of \$2,048,625 and working capital of \$2,152,315, as at March 31, 2009, are sufficient to fund current liabilities and business exploratory activities beyond March 31, 2010.

Detailed financial statements and the MD&A are available at [www.fralex.com](http://www.fralex.com) or [www.sedar.com](http://www.sedar.com).

### **About FRALEX:**

For more information on FRALEX, please visit [www.fralex.com](http://www.fralex.com).

*Certain statements contained in this release containing words like “believe”, “intend”, “may”, “expect”, and other similar expressions, are forward-looking statements that involve a number of risks and uncertainties. Factors that could cause actual results to differ materially from those projected in the Company’s forward-looking statements include the following: dependence on key personnel; business projections; additional financing requirements and access to capital; legal product liability and availability of insurance; risks related to the proposed arrangement including but not limited to its completion being subject to a number of conditions precedent and possible failure to complete the arrangement; risk relating to post-arrangement tax indemnification of the Company and Baylis and other risk factors identified from time to time in the Company’s filings.*

### **For further information:**

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Fralex Therapeutics Inc.  
(A development stage company)  
Interim Consolidated Balance Sheets  
Unaudited

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	69,578	184,064
Short-term investments	1,979,047	3,566,280
Investment tax credits receivable	290,000	290,000
Receivables – other	26,576	35,089
Prepaid expenses and deposits	31,958	31,563
	<u>2,397,159</u>	<u>4,106,996</u>
<b>Property and equipment</b>	<u>27,981</u>	<u>35,579</u>
	<u>2,425,140</u>	<u>4,142,575</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	<u>244,844</u>	<u>1,356,096</u>
<b>Shareholders' equity</b>		
Share capital	18,030,787	18,030,787
Warrants	-	1,064,777
Other equity	1,654,458	584,068
Deficit	(17,564,215)	(17,078,991)
Accumulated other comprehensive income	59,266	185,838
	<u>2,180,296</u>	<u>2,786,479</u>
	<u>2,425,140</u>	<u>4,142,575</u>

Fralex Therapeutics Inc.  
(A development stage company)  
Interim Consolidated Statements of Operations and Comprehensive Loss  
Unaudited

	<b>Three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Research and development	250,091	1,376,236
General and administrative	373,514	379,042
Stock-based compensation	183,963	58,338
Amortization	6,623	18,534
Foreign exchange gain	(141,940)	(2,730)
<b>Loss before the undernoted</b>	<b>(672,251)</b>	<b>(1,829,420)</b>
<b>Interest income</b>	<b>8,677</b>	<b>79,240</b>
Loss before income taxes	(663,574)	(1,750,180)
Income tax recovery	178,350	-
<b>Loss for the period</b>	<b>(485,224)</b>	<b>(1,750,180)</b>
<b>Other comprehensive (loss) income</b>		
Unrealized (loss) income on available-for-sale short-term investments	(126,572)	84,743
<b>Comprehensive loss for the period</b>	<b>(611,796)</b>	<b>(1,665,437)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.02)</b>	<b>(0.08)</b>